

TOP SECRET
SECURITY INFORMATION

1 February 1952

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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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TOP SECRET

SECTION 2 (EASTERN)

1. JAPAN. Government concerned over Moscow Conference invitations: The Japanese Government is concerned over possible public reaction and Soviet displeasure if it refuses passports for travel to the Moscow economic conference in April, according to US Political Adviser Sebald in Tokyo. Although the government is anxious to discourage Japanese attendance, some business leaders strongly urge participation on the grounds that refusal to send delegates would deny Japan valuable economic information, automatically write off trade with the USSR and Communist China, and unnecessarily antagonize the USSR. In view of increasing public interest in the conference, Sebald comments that government refusal to grant passports may magnify the matter unduly and result in unfavorable repercussions. (C S/S Tokyo 1588, 30 Jan 52)

Comment: The Japanese Government's sensitivity on this subject is reflected in the hedging statements of officials before the Diet that it was "not desirable" for Japanese to attend.

SECTION 3 (WESTERN)

2. FRANCE. Budget deficit threatens NATO program: France is budgeting less than half the funds needed to meet 1952 NATO requirements for French forces in Europe. Ambassador Bruce states that this will necessitate a revision in the plans for NATO support installations in France.

The Ambassador fears that a drastic curtailment of the French military program might lead France to demand a definite agreement prohibiting a larger defense contribution by Germany than by France. (TS Paris 4555, 29 Jan 52)

Comment: The gap between the budget figure and NATO's recommendations is equivalent to France's burden in Indochina, which the French have consistently stressed they cannot carry if NATO commitments are to be met. The recent NATO analysis of French defense capabilities is forcing France to admit that its earlier commitments were unrealistic.

TOP SECRET

1 Feb 52

TOP SECRET

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SECRET
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SECRET

SECTION 1 (SOVIET)

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1. USSR. Comment on Pastor Niemoeller's visit to Moscow:

Pastor Niemoeller's primary objective in making a trip to Moscow seems to have been his crusade for peace and the removal of East-West tensions. While in Moscow, he confined himself to religious matters and the question of German prisoners of war. Although Niemoeller regards the sudden timing of his invitation as a "riddle," after talking with him the source became convinced that the visit was a carefully planned Communist propaganda performance.

In dealing with the question of prisoners of war, Niemoeller talked with Deputy Foreign Minister Zorin and placed the whole matter within the framework of peace propaganda. While Zorin insisted that only war criminals were held, he indicated that Niemoeller's stand would be considered by the Council of Foreign Ministers.

As for the church situation, Niemoeller reported the existence of a genuine religious life and stated that the churches are not molested in their ecclesiastical functions. He believed that there had been visible progress in the condition of churches in the USSR and that the Kremlin not only tolerated but reluctantly supported them. Niemoeller attributed this progress to the separation of the churches from politics, but at the same time suggested that in the long run they cannot remain silent about the actual facts of Communism.

The Orthodox Church leaders were sceptical about the Ecumenical Movement, which has its headquarters in Geneva, regarding it as a Western or American institution. Niemoeller, however, left Moscow with the impression that sufficient interest had been shown to warrant further attempts at maintaining direct contact between the Ecumene at Geneva and the Russian Church.

While in Moscow, Niemoeller did not notice any tense or war-like situation. He felt that the masses were indifferent, and in his talks with church leaders the question of war was mentioned only in connection with the fear of American "aggression."

In his zeal to ease East-West tension, Niemoeller may have placed undue significance on superficial facts, and he was undoubtedly influenced in his views by the warm reception accorded him by both religious and state officials.

His report on religion in the USSR will not influence most West Germans, but the neutralist minority, inside and outside the Evangelical Church, may be impressed.

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2. USSR/BURMA. Soviet Union charges American generals are commanding Chinese Nationalists in Burma: The Soviet UN delegate charged on 29 January that two American generals are commanding a "shock force" of Chinese Nationalist troops poised in Burma for a strike against Communist China. He also claimed that seven American colonels and twenty-seven majors were attached to Chinese Nationalist forces in Burma. (R FBIS [REDACTED] 29 Jan 52)

Comment: Precisely the same accusation was made a few days ago by the pro-Communist Burma Workers and Peasants Party in Rangoon.

The Chinese Nationalist issue has been kept alive since 1950 by both Chinese and Burmese Communists. Recent intensification of anti-American propaganda regarding the issue is apparently for the purpose of breaking up present negotiations between the US and Burma for assistance under the Mutual Security Act.

3. USSR/France. Soviet Union returns last five French prisoners of war: The French Ambassador in Moscow was informed by the Soviet Foreign Office on 29 January that on 30 January the USSR would deliver to French authorities in Berlin the last five French prisoners of war in the Soviet Union. Chataigneau expressed appreciation, but said that the Soviet count and his count of French PW's in the Soviet Union differed. (C Moscow 1257, 29 Jan 52)

Comment: This Soviet gesture toward releasing French prisoners is probably timed to coincide with the current meeting of the UN's Commission on Prisoners of War. It is not known whether the French prisoners in the Soviet Union were volunteers who fought with the German army, French personnel captured by the Germans and impressed into the German forces, or prisoners "liberated" from German camps by the Soviet army.

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4. BULGARIA. Alleged US intelligence agents sentenced: On 29 January, the Sofia Regional Court passed sentence on several Bulgarians found guilty of acting as agents for the American and Greek intelligence services. Among those sentenced to death was one of three former Bulgarian Royal Army and Air Force officers who were allegedly parachuted from a Greek-based American military plane in August, the two others having been killed in the drop or shortly thereafter. Five other Bulgarians were involved in the case as "collaborators." (R FBIS [REDACTED] 30 Jan 52)

Comment: This is the most recent in a series of Bulgarian trials involving charges of foreign espionage. Since November, violations

SECRET

SECRET

of Bulgarian airspace have figured in Bulgarian notes to both Greece and Yugoslavia. Bulgarian propaganda has shown an increased pre-occupation with border security since the promulgation of the US Mutual Security Act in the fall of 1951.

5. CZECHOSLOVAKIA. Two high military officers allegedly caught in purge: It is rumored in Prague that General Jaroslav Prochaska, Chief of Staff of the Czech Army, has been arrested. The US Army Attache comments that there is no outward evidence that a purge of leading military figures is underway, but that there is no doubt that the "political and military pot is boiling." (S USARMA Prague 737, 29 Jan 52)

Comment: Major General Hruska, Deputy Minister of Defense was also reportedly arrested recently. Both Hruska and Prochaska are known to be friends of Slansky and both rose rapidly in the Soviet sponsored Czech army.

Prochaska, who is the brother of Vladimir Prochaska, Czech Ambassador to the United States, rose from captain to army general in seven years. He is known for his violent anti-American attitude. He apparently only returned to Czechoslovakia at the end of the war, having been in the USSR for about twenty years.

6. Government bids for support of Sudeten Germans remaining in Czechoslovakia: As a result of the manpower shortage, the Czech Government is trying to win the support of some 160,000 Sudeten Germans in Czechoslovakia. Through frequent speeches and newspaper articles the Czechs are being asked to adopt a "fraternal attitude" towards those Sudeten Germans who are "assisting in building socialism." The Central Council of Trade Unions has begun publication of a new German-language weekly, Reconstruction and Peace, for the German workers. In spite of these official efforts, however, popular resentment against them remains.

The government stopped repatriating Sudeten Germans in April 1951, and there is evidence that it is trying to encourage some skilled Sudeten workers who have left the country to return to Czechoslovakia. Such a return was reportedly discussed with the Pieck mission when it visited Prague in October, but apparently no agreement was reached. (S USARMA Prague 739, 30 Jan 52)

Comment: The Czech Government has proceeded cautiously towards a rapprochement with the Sudetens still in Czechoslovakia. While the manpower crisis increased because of the demands of the enlarged five

SECRET

SECRET

year plan, the government until 1951 continued to expel Sudetens, many of whom were skilled workers. Presumably manpower needs will override further emigration.

7. HUNGARY. Long-term trade agreement signed with Soviet Union: On 23 January, a long-term agreement on reciprocal goods deliveries between the Soviet Union and Hungary was signed in Moscow. The agreement provides that the USSR deliver equipment for complete plants and give technical aid to Hungary during the period 1952-55. The treaty calls for a significant increase in goods exchanged between the USSR and Hungary. The Hungarian trade delegation left Moscow on 29 January. (R Moscow 1259, 29 Jan 52)

Comment: Hungary and the USSR concluded a long term framework and credit agreement on 1 January 1949. Heretofore this has been implemented by an annual protocol. The nature of the proposed exchanges (including complete factories) has now made necessary an agreement extending over a longer period. The Hungarian Five Year Plan is scheduled for completion at the end of 1954.

8. Rundown hospital cars seen near Komarom: Approximately 20 hospital cars have been seen on a siding near Acs, a village just south of Komarom. The cars, reportedly old and in need of repair, have been at Acs since 20 January. One report states that the cars have Russian markings. (S MA Budapest 2801, 24 Jan 52)

Comment: A hospital train of German origin and in need of repair was reported near Gyor (approximately 20 miles west of Acs) in July and again in November 1951. There have also been reports that passenger and freight cars are being converted into hospital cars in Hungary.

9. TRIESTE. Yugoslavs to hold elections in Zone B: According to an Italian radio broadcast, a "competent source close to the Yugoslav military administration of Zone B" claims that local elections concerning administrative reform are to be held sometime this year.

Subsequent to this broadcast, the Italian Embassy informed the Department of State that the Yugoslavs intend to hold elections in Zone B "in the near future." (R FBIS [REDACTED] 25 Jan 52; S to Belgrade 795, 30 Jan 52)

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Comment: Other reports alluding to the precise timing and nature of these impending elections are lacking. However, an early election

SECRET

SECRET

in the Yugoslav Zone would undoubtedly increase local animosities which would contribute to the worsening of Italo-Yugoslav relations and further prejudice any chance for the conclusion of a Trieste settlement.

The last election in Zone B, held in April 1950, was designed to select two regional councils which enact zonal laws and was dominated by the Yugoslav supported Slovene-Italian People's Front. The Socialist Party and the virtually non-existent Christian Social Party represented only token opposition; consequently a large number of Italians failed to vote.

SECRET

SECRET

SECTION 2 (EASTERN)

1. GREECE. Prime Minister refuses to halt purge of pro-Papagos officers: Prime Minister Plastiras does not intend to discourage the purge of pro-Papagos officers now going on in the Greek armed forces. When the issue was raised by the American Ambassador, Plastiras stated that he would not interfere with the Minister of National Defense and the King in their efforts to restore "unity in the armed forces." In fact, he gave the Ambassador the impression that he sympathizes with the objectives of the purge and resents US interference. (S Athens 3427, 30 Jan 52)

Comment: Plastiras' unwillingness to use his influence to stop the reintroduction of politics into the army indicates that the purge will continue, unless the American Government takes strong action. The purge, rapidly becoming the major political issue in Greece, will undoubtedly further weaken the government by stimulating opposition efforts to obtain control.

2. INDIA. Communist Party to agitate for release of prisoners: Ajoy Ghosh, Secretary General of the Indian Communist Party, has announced that his party would launch mass agitation in states where the government refused to release Communist prisoners elected to seats in state legislative assemblies during the current elections. (U New Delhi 2664, 28 Jan 52)

Comment: Ghosh's announcement suggests that the Communist Party, encouraged by its election successes in southern India, is preparing to drop its "peaceful" front after the elections are completed. Agitation by the party could reach serious proportions in such states as Travancore-Cochin, where the Communists and their allies have won a third of the seats in the state assembly.

3. INDONESIA. Prominent Socialist gains poor impression of Satellites: Sudjatmoko, a prominent disciple of Socialist Party chairman Sjahrir, revealed to an American official in Rome that he had just completed a six months' tour of Europe which had included visits to Poland, Czechoslovakia, and Yugoslavia. When questioned regarding his impressions of Poland and Czechoslovakia, he replied emphatically, "that's not for us." He added that he was glad that he had visited those countries because his political ideas had been clarified.

Sudjatmoko expects to return immediately to Indonesia and stated that he hopes to influence the Socialist Party congress which will be held in February. (C Rome 3367, 29 Jan 52)

SECRET

SECRET

Comment: Statements by party leader Sjahrir and recent Socialist alignments with left wing groups in Parliament have indicated Socialist willingness to assume leadership of a leftist bloc.

Sudjatmoko's statements appear to indicate his opposition to a policy of cooperation with the Communists. His influence within the Socialist Party, however, is not clear, since he has been out of the country for several years and is not even a party member. Nevertheless, his on-the-spot observations of conditions in Satellite countries may carry considerable weight with persons who have seen Communism at work only in Indonesia.

4. BURMA. Chinese Communist threat to Burma assessed: The US Embassy in Bangkok reports that on the basis of intelligence available in Bangkok it has concluded that a Chinese Communist move into the Shan States of northeastern Burma is "entirely possible." The Embassy believes that such a move would have control of Burma, not Thailand, as its ultimate goal. Meanwhile, the Chinese Nationalists in Burma are giving every indication of preparing for a new incursion into Yunnan, although there is little reason to believe that their capabilities have measurably improved since their ignominious defeat at the hands of the Communists last summer. The Embassy states that these troops might be more effective under different leadership, as it strongly suspects General Li Mi of being more interested in lining his pockets than in waging war. (S Bangkok 1623, 28 Jan 52)

Comment: The Chinese Communist threat to Burma is currently emphasized by the sustained propaganda campaign being conducted by the Communists, including the Russians in the UN, concerning the Nationalists in Burma.

5. INDOCHINA. French disturbed over uncertain loyalty of Tonkin population: A high French official has admitted to the US Consul in Hanoi that the recent heavy infiltration of the Tonkin delta by the Viet Minh presents a grave problem. The uncertain loyalty of the delta population is being undermined by the "untoward behavior" of French troops toward the local peoples, which contrasts with the studiously proper behavior of Viet Minh forces.

The US Consul comments that Minister of Associated States Letourneau, who is visiting in Tonkin, appears to be acutely aware that the French are losing the "battle for men's minds" in the delta area. (S Hanoi 513, 29 Jan 52)

SECRET

SECRET

Comment: The Tonkin delta area is the major source of food and manpower for the Viet Minh army. As long as the Viet Minh retains its influence there, French efforts to gain complete victory in Indochina will fail.

6. CHINA. Peiping cuts year-end bonuses to government workers: Workers in Chinese Communist Government agencies were not to receive the customary bonuses at the end of 1951, according to a Peiping directive issued last December. Workers in public enterprises were authorized to receive year-end bonuses in accordance with regulations promulgated by the Communists at the end of 1949. Workers in private enterprises were entitled to the same bonuses as last year. (U NCNA, Peiping, 8 Dec 51)

Comment: Whereas the Communists insist that private firms pay the customary year-end bonuses, they allow public enterprises to pay bonuses at reduced rates. The 1949 regulations referred to in the foregoing directive stipulated that public enterprises would pay as bonuses no more than half a month's pay plus half of the amount customarily paid in excess thereof. Private firms have recently been able to use the bait of better pay to attract skilled workers from public enterprises.

7. 25X1X Chinese Communists reportedly train replacements for Third Field Army: The East China Military Area has obtained replacements for units of the Chinese Communist Forces in Korea by drawing regiments and battalions individually from the Third Field Army stationed in East China, [REDACTED] The resulting depletion in the strength of the Third Field Army units is being remedied by the induction of peasants who have "volunteered" since October 1951. It is expected that these replacements will be trained and assigned to permanent units of the Third Field Army before March 1952. [REDACTED]

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Comment: This method of obtaining replacements for Chinese Communists units in Korea has been previously reported and accepted.

8. KOREA. South Korea may appeal to President Truman on inflation problem: Ambassador Muccio states that in view of the acute inflation in South Korea the Republic now contemplates an appeal to President Truman and to the nations fighting in Korea to make provisions for reimbursing the South Korean currency advances to the US forces.

Ambassador Muccio observes that economic deterioration is too severe for a piecemeal solution and recommends that the unified command urgently consider sending a group to Pusan immediately with full authority to draw up an overall economic and financial program for South Korea. (S Pusan 748, 30 Jan 52)

SECRET

SECRET

Comment: The two principal issues preventing the stabilization of the economy are the failure of the unified command and the Republic of Korea to reach an agreement on economic aid and the failure to reimburse South Korea for the local currency advances to UN forces. One effect of the resulting inflation has been a 33 percent rise in Seoul rice prices since early December.

9. JAPAN. Yoshida says Emperor will not abdicate: Prime Minister Yoshida told the Japanese Diet on 31 January that Emperor Hirohito is not going to abdicate when the peace treaty goes into effect. (U FBIS Ticker, AP Tokyo, 31 Jan 52)

Comment: There has been some speculation that the Emperor might abdicate following the effective date of the peace treaty, out of deference to the traditional Japanese concept of responsibility. This move is reportedly favored by some rightist elements who feel that Hirohito's renunciation of divinity would not apply to his son Akhito, who recently reached his eighteenth birthday.

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SECRET

SECTION 3 (WESTERN)

1. GENERAL. Small countries' coal demands uncover fundamental dispute on East-West trade. Current discussions in the Coal Committee of the OEEC have disclosed wide differences of opinion on Western Europe's current coal crisis. The dispute was touched off by a vigorous appeal of Austria, Denmark, and the Netherlands for a larger share in Ruhr coal. Both Austria and Denmark contended that the Committee's Secretariat had been too optimistic in calculating their anticipated receipts of Polish coal. The Austrians also said that despite the high price they had to pay for US coal, their country had suffered a higher percentage reduction in Ruhr allocations than any other importer.

The demands of the small countries were strongly supported by the US delegate. US officials believe that the Coal Committee is shirking its responsibilities and that existing procedures, involving only a limited volume of coal subject to Committee allocation, are inadequate.

The British delegate regards the US position as "unreasonable" and attributes to US restrictions on East-West trade the increased pressure on British and German coal supplies. Pursuit of this policy will "wreck" the Coal Committee, the British believe, and lead to the distribution of coal by bilateral agreements. A British proposal that the problem of increasing Polish deliveries to the West be considered in Geneva by the UN's coal committee was rejected after the US objected that a debate on East-West trade in Geneva would benefit the Poles, that the problem is one of "terms of trade" and not of availability, and that coal importers should bargain bilaterally with Poland. (Factual data from: S Paris REPTO 498, 28 Jan 52)

2. GERMANY. West German Communists step up underground organization: The Communist Party of West Germany has recently organized three separate groups to distribute party orders and illegal literature in the event that the party is banned by the Federal Constitutional Court. The members of one group do not know those of another, and only a few party functionaries know all about the over-all plan. The new setup was supposed to be operational by 15 January. Party records of some local organizations have already been destroyed. (S Heidelberg Week 4, 28 Jan 52)

Comment: For some time the party has been quietly preparing for a complete underground existence. More reliable leaders from East Germany have been replacing West German leaders on local levels.

There is considerable doubt that the Constitutional Court will ban the party. Many top Federal Republic officials oppose such a ban, because they feel that it would not prevent the party's subversive activities, but only make them harder to detect.

SECRET

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3. UNITED KINGDOM. Britain seeks NATO assistance in denying arms to Egypt during crisis. The British NATO Council Deputy has requested that NATO nations prevent the sale or transit of arms to Egypt during the present Anglo-Egyptian dispute. He stated that Egyptian efforts to obtain military supplies in both NATO and non-NATO countries had been somewhat successful; and that although the transactions had been largely clandestine, export licenses had been granted or governments directly approached in some cases. Because of the unsatisfactory results of their protests to individual governments, the British are asking the NATO deputies to obtain definite responses from their governments within a month. (S London, DEPTO 899, 29 Jan 52)

Comment: Egypt has been on an arms hunt for some months, chiefly for spare parts for US or UK equipment. Italy, France and Portugal gave evasive answers when approached, and it is not clear to whose export licenses the British refer. Clandestine transactions through private concerns are fairly well controlled by countries which require export permits for any arms shipments, but this does not necessarily cover cases of transshipment, and smuggling is always possible.

With respect to non-NATO countries, Egypt has negotiated arms agreements with Czechoslovakia, Switzerland and Spain.

4. British UN delegate favors UN investigation of Chinese Nationalist troops in Burma: Selwyn Lloyd, Minister of State for Foreign Affairs, has told a member of the US delegation at the General Assembly in Paris that he expects "very severe" attacks on the Conservative government in the House of Commons over the question of the Chinese Nationalist forces in Burma. He plans to suggest to Foreign Secretary Eden an Anglo-American proposal in the UN to send a Peace Observation Commission to Burma. He indicated that the move could be justified as an answer to recent Soviet charges of US support of the Chinese troops, and implied that he believed Burma would reject the proposal. He considered that its effect on British public opinion would be "very helpful." (S Paris DELGA 1246, 30 Jan 52)

Comment: In the present state of British public opinion the Conservative government remains vulnerable to Labor pressure on all Far Eastern issues. Recent press reports from Burma on alleged US support of the Nationalist forces have received moderate circulation in Britain.

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SECRET

5. ARGENTINA. Meat contract with the UK may not be fulfilled: Argentina may fail by 40,000 tons to meet its meat contract with the UK. By December only 105,000 tons had been shipped; the contract, which expires on 23 April, was for 200,000 tons. (C Buenos Aires, Joint Weeka 56, 24 Jan 52)

Comment: Argentina formerly supplied about one third of the UK's meat requirements and was an important source of meat for Allied troops during the World War II. The current shortage is a result of drought and increased domestic consumption. To augment the exportable surplus of meat -- and critically needed foreign exchange earnings -- the government has ordered hotels and restaurants to serve no meat on one day a week.

6. Labor confederation plans hemisphere labor conference: According to reports from the US Embassies in Montevideo and Bogota, the Argentine General Confederation of Labor is inviting labor groups to attend a hemisphere labor conference in Asuncion, Paraguay, 7-19 February. (C to Asuncion 117, 26 Jan 52)

Comment: In December a leading official of Mexico's second largest labor federation stated that he expected "the Third Latin American Labor Organization" to hold its constituent congress in February. The US Embassy in Buenos Aires has commented that although Peronism does not have large support in the Latin American labor movement, it does have sufficient strength to form a third federation, though skeletal in nature.

The choice of Asuncion as the site of the conference may reflect Argentina's attempt to de-emphasize its sponsorship of the meeting (see OCI Daily Digest, 5 Oct 51).

7. CHILE. Visit of US labor delegation may be inadvisable: The US Embassy in Santiago states that, according to news services, a three-man US labor delegation is being sent to Chile to combat Communism in labor unions. The Embassy comments that Communist influence in Chilean labor is admittedly strong and adds that the delicate political situation due to current military aid negotiations makes it advisable for the Department of State to use its influence to convince the ORIT (regional wing of the non-Communist ICFTU) that the moment is not opportune for a visit by US or ORIT leaders. (S Santiago 400, 30 Jan 52)

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SECRET

8. MEXICO. Copper shipment believed destined for Orbit: The US Embassy in Mexico City suspects that 23 tons of copper scrap shipped to Leo Berberich in Antwerp from Veracruz on 16 January may be destined "for the iron curtain." The vessel concerned also carried antimony, zinc, and mercury for various firms in Western Europe. (C Mexico City 966, 30 Jan 52)

Comment: Some Mexican copper is very probably reaching the Orbit by transshipment through Western Europe, though there is no reliable evidence of direct shipments. The US State Department has recently been unofficially informed that "there is not the slightest possibility" that Mexico will permit items listed in the Battle Act to be exported to the Orbit. An unconfirmed report of 29 January, however, states that shipments of raw materials, particularly copper, are being made from Mexican ports to Canton.

SECRET